



# House of Representatives

General Assembly

**File No. 469**

January Session, 2007

Substitute House Bill No. 6995

*House of Representatives, April 11, 2007*

The Committee on Planning and Development reported through REP. FELTMAN of the 6th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## ***AN ACT CONCERNING SPECIAL DEVELOPMENT ZONES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 8-376 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2007*):

3 (a) As used in this section and section 8-378, as amended by this act,  
4 "blighted property" means any structure or vacant or unimproved lot  
5 or parcel (1) that has significant unremedied building, housing or  
6 health code violations; (2) that has a high vacancy rate or is  
7 abandoned, vacant or unoccupied; (3) for which taxes are delinquent;  
8 or (4) that has been deemed a public nuisance under any provision of  
9 the general statutes or any local ordinance; and

10 (b) Any municipality [which is a distressed municipality as defined  
11 in subsection (b) of section 32-9p, on October 1, 1987,] (1) that is  
12 classified as a public investment community within the meaning of  
13 subdivision (9) of subsection (a) of section 7-545, or (2) in which at least

14 twenty-five per cent of the real property in one or two contiguous  
15 United States census tracts or a portion of an individual census tract as  
16 determined in accordance with the most recent United States census is  
17 blighted property may apply to the Commissioner of Economic and  
18 Community Development to designate an area of such municipality as  
19 a housing development zone. Any [such area shall consist]  
20 municipality that is a public investment community shall designate as  
21 a housing development zone an area that consists of one or two  
22 contiguous United States census tracts or a portion of an individual  
23 census tract as determined in accordance with the most recent United  
24 States census. Any municipality that has one or two contiguous census  
25 tracts or a portion of an individual census tract as determined in  
26 accordance with the most recent United States census in which at least  
27 twenty-five per cent of the real property is blighted property shall  
28 designate such census tracts as the housing development zone. At least  
29 twenty-five per cent of the designated area shall be zoned or allow for  
30 multifamily residential dwellings.

31 Sec. 2. Section 8-378 of the general statutes is repealed and the  
32 following is substituted in lieu thereof (*Effective July 1, 2007*):

33 (a) The Commissioner of Economic and Community Development  
34 may approve the designation of [up to three areas in the state]  
35 qualified portions of a municipality as housing development zones,  
36 provided the commissioner shall not approve the designation of more  
37 than one housing development zone in any municipality. [Proposals  
38 for financial assistance received by the commissioner from eligible  
39 developers, as defined in section 8-39, for programs or projects  
40 authorized pursuant to chapter 128, 130, 133 or 138 which will be  
41 located in a housing development zone shall be accorded a high  
42 priority to receive financial assistance from the commissioner.] A  
43 municipality applying for approval of the designation shall include  
44 information in such application sufficient for the commissioner to  
45 determine that such municipality (1) is classified as a public  
46 investment community, or (2) has at least twenty-five per cent of the  
47 real property in one or two contiguous United States census tracts or a

48 portion of an individual census tract as determined in accordance with  
49 the most recent United States census in the municipality is blighted  
50 property. The commissioner may remove the designation of any area  
51 which has been approved as a housing development zone if such area  
52 no longer meets the criteria for designation as such a zone set forth in  
53 sections 8-376 and 8-377 or in regulations adopted pursuant to section  
54 8-381, provided no such designation shall be removed less than ten  
55 years from the original date of approval of such zone.

56 (b) The commissioner shall give immediate consideration for  
57 financial assistance pursuant to chapter 128, 130, 133, 138 or 588l or  
58 section 8-37pp or 8-336p to proposals from eligible developers, as  
59 defined in section 8-39, that will be located in a housing development  
60 zone. If a project to be located in a housing development zone is  
61 comparable to a project that will not be located in a housing  
62 development zone, the commissioner shall give priority to  
63 authorization of the project in the housing development zone.

64 Sec. 3. Section 32-1m of the general statutes is amended by adding  
65 subdivision (16) as follows (*Effective July 1, 2007*):

66 (NEW) (16) A detailed summary of projects funded in housing  
67 development zones, along with a description of the priority the  
68 projects received, the number funded and the amount of funds  
69 awarded.

70 Sec. 4. Subdivision (v) of section 32-222 of the general statutes is  
71 repealed and the following is substituted in lieu thereof (*Effective July*  
72 *1, 2007*):

73 (v) "Targeted investment community" means a municipality which  
74 contains an enterprise zone designated pursuant to section 32-70 or a  
75 housing development zone designated pursuant to section 8-378, as  
76 amended by this act.

77 Sec. 5. Subsection (d) of section 10-416 of the general statutes is  
78 repealed and the following is substituted in lieu thereof (*Effective July*

79 1, 2007):

80 (d) The commission shall, in consultation with the Commissioner of  
81 Revenue Services, adopt regulations, in accordance with chapter 54, to  
82 carry out the purposes of this section. Such regulations shall provide  
83 that if an historic home located in a housing development zone  
84 designated pursuant to section 8-378, as amended by this act, is  
85 comparable to an historic home that is not located in a housing  
86 development zone, priority for issuance of tax credit vouchers shall be  
87 given to the historic home located in the housing development zone.

88 Sec. 6. Subsection (d) of section 10-416a of the general statutes is  
89 repealed and the following is substituted in lieu thereof (*Effective July*  
90 *1, 2007*):

91 (d) The commission shall adopt regulations, in accordance with  
92 chapter 54, to carry out the purposes of this section. Such regulations  
93 shall include provisions for filing of applications, rating criteria and for  
94 timely approval by the commission. Such regulations shall provide  
95 that if a certified historic structure located in a housing development  
96 zone designated pursuant to section 8-378, as amended by this act, is  
97 comparable to a certified historic structure that is not located in a  
98 housing development zone, priority for issuance of tax credit vouchers  
99 shall be given to the certified historic structure located in the housing  
100 development zone.

101 Sec. 7. Subsection (k) of section 8-395 of the general statutes is  
102 repealed and the following is substituted in lieu thereof (*Effective July*  
103 *1, 2007*):

104 (k) The Connecticut Housing Finance Authority, with the approval  
105 of the Commissioner of Revenue Services, shall adopt written  
106 procedures in accordance with section 1-121 to implement the  
107 provisions of this section. Such procedures shall include provisions for  
108 issuing tax credit vouchers for cash contributions to housing programs  
109 based on a system of ranking housing programs. In establishing such  
110 ranking system, the authority shall consider the following: (1) The

111 readiness of the project to be built; (2) use of the funds to build or  
112 rehabilitate a specific housing project or to capitalize a revolving loan  
113 fund providing low-cost loans for housing construction, repair or  
114 rehabilitation to benefit persons of very low, low and moderate  
115 income; (3) the extent the project will benefit families at or below  
116 twenty-five per cent of the area median income and families with  
117 incomes between twenty-five per cent and fifty per cent of the area  
118 median income, as defined by the United States Department of  
119 Housing and Urban Development; (4) evidence of the general  
120 administrative capability of the nonprofit corporation to build or  
121 rehabilitate housing; (5) evidence that any funds received by the  
122 nonprofit corporation for which a voucher was issued were used to  
123 accomplish the goals set forth in the application; and (6) with respect  
124 to any income year commencing on or after January 1, 1998: (A) Use of  
125 the funds to provide housing opportunities in urban areas and the  
126 impact of such funds on neighborhood revitalization; and (B) the  
127 extent to which tax credit funds are leveraged by other funds. Ten  
128 additional points shall be awarded for projects located in housing  
129 development zones.

130 Sec. 8. (NEW) (*Effective July 1, 2007*) On or before February 1, 2008,  
131 and annually thereafter, the Commission on Culture and Tourism shall  
132 submit a report to the joint standing committee of the General  
133 Assembly having cognizance of matters relating to planning and  
134 development and to the select committee of the General Assembly  
135 having cognizance of matters relating to housing on the issuance of tax  
136 credit vouchers for historic homes located in housing development  
137 zones pursuant to section 10-416 of the general statutes, as amended by  
138 this act, and certified historic structures in housing development  
139 zones, pursuant to section 10-426a of the general statutes, as amended  
140 by this act. Such report shall include detailed information on the  
141 vouchers issued for historic homes and certified historic structures  
142 located in housing development zones, along with a description of the  
143 priority they received, the number and the amount of such vouchers  
144 issued.

145       Sec. 9. (NEW) (*Effective July 1, 2007*) In issuing tax credits under the  
146 Low Income Tax Credit Program, 26 USC 42, the Connecticut Housing  
147 Finance Authority shall award ten individual points for projects  
148 located in housing development zones.

149       Sec. 10. (NEW) (*Effective July 1, 2007*) On or before February 1, 2008,  
150 and annually thereafter, the Connecticut Housing Finance Authority  
151 shall submit a report on the issuance of tax credits under section 8-395  
152 of the general statutes, as amended by this act, and under the Low  
153 Income Tax Credit Program, 26 USC 42 to the joint standing committee  
154 of the General Assembly having cognizance of matters relating to  
155 planning and development and to the select committee of the General  
156 Assembly having cognizance of matters relating to housing. Such  
157 report shall include detailed information on the vouchers issued for  
158 housing located in housing development zones, along with a  
159 description of the priority they received, the number and amount of  
160 such vouchers issued.

161       Sec. 11. (NEW) (*Effective July 1, 2007*) (a) The zoning commission of  
162 each municipality may establish a conservation development zone as  
163 part of the zoning regulations adopted under section 8-2 of the general  
164 statutes or any special act.

165       (b) A conservation development zone shall be an overlay zone and  
166 shall satisfy the following requirements:

167       (1) The housing density of the conservation development zone shall  
168 constitute an increase of at least ten per cent more than the housing  
169 density of the underlying zone;

170       (2) The size of lots in the conservation development zone shall be  
171 based on soil characteristics. If a lot does not have an on-site well and  
172 septic system, the regulations may authorize the commission to waive  
173 the requirements of the zoning regulations, including, but not limited  
174 to, requirements for acreage, setbacks, lot coverage, building height  
175 and road frontage; and

176 (3) Open space in a development shall follow the contours of the  
177 land in the area to be developed and the minimum amount or  
178 unimproved open space of a development in the conservation  
179 development zone shall be forty per cent of the land in the  
180 development. Open space may be transferred by easement of  
181 conveyance to the municipality or to a nonprofit land holding  
182 conservation organization.

183 Sec. 12. (NEW) (*Effective July 1, 2007*) A zoning commission, at the  
184 time of and as part of its adoption of regulations for a conservation  
185 development zone, may adopt design standards for conservation  
186 within such zone. An application for a development in a housing  
187 development shall not be subject to review under section 8-3c of the  
188 general statutes, but shall be subject to site plan review under  
189 subsection (g) of section 8-3 of the general statutes.

190 Sec. 13. (NEW) (*Effective July 1, 2007*) (a) A zoning commission, at  
191 the time of and as part of its adoption of regulations for a cluster zone,  
192 may adopt design standards for conservation development within  
193 such zone. Such design standards may (1) ensure that construction  
194 within the conservation development zone is complementary to  
195 adjacent and neighboring buildings and structures; and (2) address the  
196 scale and proportions of buildings; site coverage; alignment, width and  
197 grade of streets and sidewalks; type and location of infrastructure;  
198 location of building and garage entrances; off-street parking;  
199 protection of significant natural site features; location and design of  
200 open spaces; signage; and setbacks and buffering from adjacent  
201 properties.

202 (b) A design standard shall not be adopted if such standard will  
203 unreasonably impair the economic or physical feasibility of  
204 constructing housing at the minimum densities.

205 Sec. 14. (NEW) (*Effective July 1, 2007*) A zoning commission, at the  
206 time of and as part of its adoption of regulations for a conservation  
207 development zone, may adopt design standards for developments  
208 within such zone. Such design standards may (1) ensure that

209 construction within the conservation development zone is  
210 complementary to adjacent and neighboring buildings and structures;  
211 and (2) address the scale and proportions of buildings; site coverage;  
212 alignment, width and grade of streets and sidewalks; type and location  
213 of infrastructure; location of building and garage entrances; off-street  
214 parking; protection of significant natural site features; location and  
215 design of open spaces; signage; and setbacks and buffering from  
216 adjacent properties.

217       Sec. 15. (NEW) (*Effective July 1, 2007*) (a) A zoning commission shall  
218 prescribe, consistent with the provisions of this section and sections 11  
219 to 14, inclusive, of this act, the form of an application for approval of a  
220 conservation development. Receipt and processing of applications  
221 shall follow the time periods and procedures of chapter 124 or chapter  
222 126 of the general statutes, as applicable. A zoning commission or its  
223 agent is authorized, to the extent allowed by the Freedom of  
224 Information Act, to conduct one or more preliminary or preapplication  
225 planning or workshop meetings with regard to a conservation  
226 development zone or development. A zoning commission may  
227 conduct a public hearing in connection with an application for site  
228 plan or subdivision approval of a conservation development.

229       (b) The regulations of a conservation development zone may require  
230 the applicant for approval of a conservation development to pay the  
231 cost of reasonable consulting fees to provide peer review of the  
232 technical aspects of the application for the benefit of the zoning  
233 commission. Such fees shall be held in a separate account and used  
234 only for expenses associated with the technical review of the  
235 application by consultants who are not otherwise salaried employees  
236 of the municipality or the zoning commission, and any surplus  
237 remaining, including any interest accrued, shall be returned to the  
238 applicant within forty-five days of the completion of such technical  
239 review.

240       (c) Conservation development zone regulations may provide for the  
241 referral of a site plan or subdivision application for comment to other



242 agencies, boards or commissions of the municipality. If a site plan or  
243 subdivision application is referred to another agency, board or  
244 commission, such agency, board or commission shall provide any  
245 comments within the time period contained in section 8-7d of the  
246 general statutes that is applicable to such application.

247 (d) A conservation development shall be approved by the zoning  
248 commission subject only to conditions that are necessary to (1) ensure  
249 substantial compliance of the proposed development with the  
250 requirements of the conservation zone regulations, design standards  
251 and, if applicable, subdivision regulations; or (2) mitigate any  
252 extraordinary adverse impacts of the development on nearby  
253 properties. An application may be denied only on the grounds that:  
254 (A) The development does not meet the requirements set forth in the  
255 conservation zone regulations; (B) the applicant failed to submit  
256 information and fees required by the regulations and necessary for an  
257 adequate and timely review of the design of the development or  
258 potential development impacts; or (C) it is not possible to adequately  
259 mitigate significant adverse project impacts on nearby properties by  
260 means of conditions acceptable to the applicant.

261 (e) The duration and renewal of an approval of a conservation  
262 development shall be governed by subsection (i) of section 8-3,  
263 subsection (j) of section 8-3, section 8-26c or section 8-26g of the general  
264 statutes, as applicable. The time to complete the work approved shall  
265 be extended (1) by the time required to adjudicate to final judgment  
266 any appeal from a decision of the commission on a conservation  
267 development site plan or subdivision plan or any required coordinate  
268 permit; (2) by the zoning commission if the applicant is actively  
269 pursuing other permits needed for the development; (3) if there is  
270 other good cause for the failure to complete such work; or (4) as  
271 provided in an approval for a multiphase development.

272 (f) Approval of or amendment to regulations or design standards  
273 for a conservation development zone or subzone, or site plan or  
274 subdivision approval of a conservation development, may be appealed

275 to the Superior Court in compliance with the provisions of section 8-8  
276 or section 8-28 of the general statutes, as applicable, provided that (1)  
277 upon motion made to the court by the defendant municipality, zoning  
278 commission, planning commission or applicant, the court shall order  
279 each appealing party to post a bond in an amount sufficient to cover  
280 (A) each moving defendant's anticipated attorney's fees and costs for  
281 defending against the appeal, and (B) if applicable, an applicant's  
282 anticipated or actual costs to carry and maintain its interest in the  
283 subject property for a period of one year, as established by affidavit  
284 filed with the court, which bond shall be forfeited in the event that the  
285 appealing party does not substantially prevail in the appeal; (2) any  
286 such appeal, upon motion by any defendant made at any time after the  
287 return date, shall be transferred from the judicial district to which it is  
288 returned to the judicial district of New Britain and shall be heard and  
289 decided by one of the judges designated by the Chief Court  
290 Administrator under chapter 126a of the general statutes; and (3) any  
291 such appeal shall be a privileged case in the order of trial, to be heard  
292 by the court as soon after the return day as is practicable.

293       Sec. 16. (NEW) (*Effective October 1, 2007*) (a) Any municipality that is  
294 eligible for small town economic assistance under section 4-66g of the  
295 general statutes may designate, by ordinance adopted by its legislative  
296 body, a nutmeg zone within the municipality. Such ordinance shall  
297 identify a specific geographic area as such zone and shall establish  
298 criteria and goals for economic activity in the zone.

299       (b) Upon designation of a nutmeg zone under subsection (a) of this  
300 section, the municipality may apply to the Commissioner of Economic  
301 and Community Development for state approval of the designation.  
302 The municipality seeking the approval of the commissioner for  
303 designation of an area of the municipality as a nutmeg zone shall file  
304 with the commissioner a preliminary application. Not later than sixty  
305 days after receipt of such a preliminary application, the commissioner  
306 shall indicate to the municipality, in writing, any recommendations for  
307 improving the municipality's application. On or before July 1, 2008,  
308 and annually thereafter, the commissioner shall conduct a lottery to

309 select ten nutmeg zones in the state.

310 (c) The amount of property taxes due under chapter 203 of the  
 311 general statutes for a facility that is constructed, improved  
 312 substantially renovated or expanded in a nutmeg zone, on or after the  
 313 effective date of this section, that is attributable to such construction,  
 314 improvement, substantial renovation or expansion shall be abated by  
 315 the municipality in which such facility is located for a period of three  
 316 years after the date of construction, improvement, substantial  
 317 renovation or expansion. The state, acting through the Commissioner  
 318 of Economic and Community Development, shall provide a grant to  
 319 the municipality in the amount of taxes abated under this section.

320 (d) The Commissioner of Economic and Community Development  
 321 may adopt regulations, in accordance with chapter 54 of the general  
 322 statutes, to implement this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2007	8-376
Sec. 2	July 1, 2007	8-378
Sec. 3	July 1, 2007	32-1m
Sec. 4	July 1, 2007	32-222(v)
Sec. 5	July 1, 2007	10-416(d)
Sec. 6	July 1, 2007	10-416a(d)
Sec. 7	July 1, 2007	8-395(k)
Sec. 8	July 1, 2007	New section
Sec. 9	July 1, 2007	New section
Sec. 10	July 1, 2007	New section
Sec. 11	July 1, 2007	New section
Sec. 12	July 1, 2007	New section
Sec. 13	July 1, 2007	New section
Sec. 14	July 1, 2007	New section
Sec. 15	July 1, 2007	New section
Sec. 16	October 1, 2007	New section

**PD** Joint Favorable Subst.

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

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### **OFA Fiscal Note**

#### **State Impact:**

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Department of Economic & Community Development	Various - See Below	See Below	See Below

#### **Municipal Impact:**

Municipalities	Effect	FY 08 \$	FY 09 \$
Various Municipalities	See Below	See Below	See Below

### **Explanation**

The bill allows for the designation of a municipality as a nutmeg zone. The program is capped at establishing 10 zones. It is anticipated that the Department of Economic and Community Development (DECD) would be able to certify these zones within existing agency resources. To the extent that DECD approves the designation of the zones and payments in lieu of taxes are provided, there would be a revenue increase to nutmeg zone municipalities and a revenue loss to the state.

The bill allows the DECD commissioner to designate housing development zones (HDZs) in additional towns and gives housing projects in these zones priority for funding, potentially redirecting state dollars. Provisions of the bill which designate towns with HDZs as targeted investment communities could increase the number of economic development projects that qualify for various funding, tax credits and property tax exemptions. In addition, the bill allows these towns to increase the municipal portion of the real estate conveyance tax by .025%. The potential cost and revenue impact to the state and municipalities due to these changes is indeterminate. It is anticipated

that any municipality which undertakes establishment of special zones will do so when resources permit since the provisions are discretionary.

Any additional workload incurred due to the annual reports required of the Connecticut Commission on Culture and Tourism (CCCT) and the Connecticut Housing and Finance Authority (CHFA) can be handled within existing resources of each agency.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

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**OLR Bill Analysis****sHB 6995*****AN ACT CONCERNING SPECIAL DEVELOPMENT ZONES.*****SUMMARY:**

This bill gives towns more tools to stimulate and shape development in designated areas. It allows the economic and community development commissioner to designate housing development zones (HDZs) in more towns and gives housing projects in these zones priority status under a wider range of housing programs.

The bill designates towns with HDZs targeted investment communities (TICs), which qualifies economic development projects in these towns for funding, tax credits, and property tax exemptions under several economic development programs. It also allows these towns to increase the municipal portion of the real estate conveyance tax by .025%. The TIC designation currently applies only to the 17 towns with enterprise zones.

The bill allows zoning commissions to establish special zones that allow development to complement an area's unique natural and cultural features (i.e., conservation development zones). It specifies criteria for adopting regulations and allows commissions to adopt standards for designing and placing buildings and structures in these zones. Commissions also may adopt design standards when establishing cluster zones, which they may do under current law. Cluster zones allow developers to concentrate uses in one or more sites.

The bill specifies how zoning, planning, and combined planning and zoning commissions must review and approve conservation

development projects. It allows them to charge fees to cover consultant costs and specifies conditions for approving or denying an application. It also allows anyone to appeal the adoption of conservation development zone regulations, and developers to appeal decisions made under those regulations.

Lastly, the bill allows relatively small towns to designate “nutmeg zones” where property owners qualify for three-year, state-reimbursed property tax abatements when they develop or improve property. Towns must submit these zones to the economic and community development commissioner for approval. The bill specifies how the commissioner must approve the zones.

EFFECTIVE DATE: July 1, 2007, except the authorization for nutmeg zones takes effect October 1, 2007.

## **REVAMPED HDZ PROGRAM**

### ***Eligible Towns (§ 1)***

The bill allows more towns to designate HDZs, with the Department of Economic and Community (DECD) commissioner’s approval. Current law allows him to approve HDZs in the 25 state-designated distressed municipalities. The bill allows him to approve HDZs in the 49 state-designated public investment communities (PIC). It also allows him to approve HDZs in other towns, but these zones must meet additional criteria.

The bill also allows more towns to designate HDZs by eliminating the current three-zone limit. (No zone has been designated since the HDZ program was enacted in 1987.)

### ***Eligible Zones (§ 1)***

Current law sets size and land use criteria for designating HDZs. A proposed HDZ may encompass one or two contiguous census tracts or a portion of a single tract. It must also encompass an area where at least 25% of the land is zoned for multifamily housing. Under the bill, PIC and non PIC towns may designate zones only in areas meeting these criteria.

The bill imposes additional criteria for designating HDZs in non-PIC towns. An area qualifies for the designation in these towns if at least 25% of the properties there are blighted. Properties include structures and vacant or unimproved lots. A property is blighted if:

1. it has significant unremedied building, housing, or health code violations;
2. it has high vacancy rates or is abandoned, vacant, or unoccupied;
3. its owner owes taxes on the property; or
4. it has been deemed a public nuisance under any statute or ordinance.

***Application (§ 2)***

By law, towns must submit proposed HDZs to the commissioner for approval. In doing so, a PIC town must show that the Office of Policy and Management (OPM) secretary designated it a PIC and that the proposed zone meets the size and land use criteria. A non PIC town must show that the proposed HDZ meets these and is blighted.

***HDZ Benefits (§ 2)***

The bill expands the benefits for developing property in HDZs. By law, commercial and residential property owners who improve their properties in a zone qualify for property tax exemptions on the improvements. (The state does not reimburse towns for the revenue they lose because of these exemptions.)

Towns and nonprofit organizations developing housing in the zones must receive “high funding priority” if they apply to the commissioner for funds under several housing and community development programs, including those for redeveloping blighted areas and developing housing for different groups, including the elderly and low- and moderate-income people.

The bill extends priority funding status to more housing and



development programs. These include the FLEX housing production program, which finances multifamily housing and other activities; the Housing Trust Fund Program, which provides funds for developing single-family homes for low- and moderate-income people; and the Manufacturing Assistance Act, part of which provides grants to towns for economic and community development projects.

The bill specifically requires the commissioner to give immediate consideration to projects seeking funding under these programs. It also requires him to report on the status of the HDZs in his annual report to the legislature. The report must identify and describe projects that received priority funding.

The bill gives HDZ projects priority status in programs providing corporate business tax credits for developing historic or low- and moderate-income housing. Table 1 lists the programs and describes how they must treat proposed HDZ projects.

**Table 1: Priority Status for HDZ Projects under Housing Tax Credit Programs**

<i>Program</i>	<i>Agency</i>	<i>Priority</i>
Tax credits for rehabilitating historic commercial and industrial property for residential use	Connecticut Commission on Culture and Tourism (CCCT)	CCCTs regulations must give priority to HDZ projects over comparable projects outside the zones
Tax credits for rehabilitating historic homes for owner-occupancy	CCCT	CCCT's regulations must give priority to HDZ projects over comparable projects outside the zones
State tax credits for contributions made to low-income housing programs	Connecticut Housing Finance Authority (CHFA)	When ranking projects for these tax credits, CHFA must give 10 extra points to projects in HDZs
Federal low-income housing tax credits	CHFA	When ranking projects for these tax credits, CHFA must give 10 extra points to project

The bill requires CCCT and CHFA to report annually to the Housing and Planning and Development committees on the tax credits they issued for HDZ projects. The first reports are due on or after February 1, 2008.

### ***TIC Designation***

The bill designates towns with HDZs targeted investment communities, a designation that qualifies the towns or projects in them for funding under several economic development programs. Table 2 identifies and describes these programs.

**Table 2: Programs Available for Projects in TICs**

<b><i>Program</i></b>	<b><i>Description</i></b>	<b><i>Eligible Recipients</i></b>
Manufacturing Assistance Act	Loans covering up to 90% of the cost for large scale development projects	Businesses  Nonprofit developers  Towns
Urban Sites Remediation Program	Funds for cleaning up contaminated sites with commercial potential	Sites identified by DECD
Community Economic Development Fund	Low-interest loans on flexible terms and conditions	Start-up and established businesses that cannot afford conventional bank loans
TIC Property Tax Abatements	Five-year, state reimbursed real property tax exemptions for constructing new facilities or improving existing ones	Manufacturers  Financial service firms  Biotechnology firms in towns with major research universities
Urban and Industrial Sites Remediation Program	Up to \$100 million in business tax credits for investments in new facilities	Businesses

## **CONSERVATION DEVELOPMENT ZONE**

**Required Elements**

The bill allows towns to adopt zoning regulations establishing conservation development zones (CDZs). It specifies the regulatory elements a zone must have and the process towns must follow when approving projects in the zones.

A zone must:

1. overlay existing zones in areas with specific natural or cultural features, such as historic districts, steep slopes, waterfronts, scenic views, agricultural areas, and environmentally sensitive land (i.e., overlay zone);
2. increase the housing density by 10% of the underlying zone;
3. base the lot sizes on the area's soil characteristics;
4. require open space areas to follow the contours of the land in areas designated for that purpose in the development; and
5. require 40% of the land in the development be preserved as open space.

If the zone includes lots that are not served by on-site wells or septic systems, the regulations may allow the zoning commission to waive any acreage, setback, lot coverage, building height, road frontage, and similar requirements governing the amount of land a building or structure must cover. The regulations also may allow developers to transfer open space by easement or conveyance to the town or a nonprofit land conservation organization.

**Optional Elements (§§ 12-14)**

The bill authorizes design standards for conservation and development. A zoning commission may adopt them when it adopts regulations for conservation and cluster development zones. The design standards for cluster zones may ensure that the new construction complements adjacent and neighboring buildings and structures. They may also address the spatial relationships between

buildings, infrastructure, open spaces, and natural features. But the standards cannot make it economically or physically infeasible to construct housing at the minimum densities.

The commission also may adopt design standards for development in CDZs, and these standards may address the same goals and concerns as the development in cluster zones.

***Applications (§ 15 (a))***

Zoning commissions establishing CDZs must develop an application form for approving projects in the zones. A commission must process these applications under the same statutory schedules and procedures for processing zoning and subdivision applications. The commission may also conduct preliminary or preapplication planning meetings or workshops regarding the zone, to the extent allowed under the Freedom of Information Act.

The commission also may hold a public hearing on conservation development site plans or subdivision applications.

The bill limits the regulatory tools the commission can use to approve certain types of conservation developments. If the project is in a housing development, the commission must review it under the procedures used to review and approve site plans. Zoning commissions generally require site plans when reviewing projects that conform to the regulations. The site plan helps the commission determine if that is the case. It does not have to hold a public hearing on a site plan application.

The bill specifically prohibits the commission from reviewing the project under the procedures used to review special permits. By law, the commission must hold a public hearing on special permit applications and find that the proposed project addresses specific needs and concerns specified in the regulations.

***Fees (§ 15 (b))***

The commission may charge the applicant fees to pay for

consultants hired to review the application. It must deposit the fees in a separate account it uses only to pay private, outside consultants. It must return any unused funds, including accrued interest, to the applicant within 45 days after the consultants complete their work.

***Application Referrals (§ 15 (c))***

The commission can refer the applicant's site plan or subdivision application to other municipal agencies, boards, or commissions for comment. These entities must submit their comments within the time the statutes give them to comment on other referred applications.

***Approval Conditions and Grounds for Denial (§ 15 (d))***

The commission may only impose conditions necessary to ensure that the project substantially complies with the CDZ's regulations, design standards, and, if applicable, subdivision regulations. It may also impose conditions needed to mitigate any extraordinary adverse impacts on nearby properties.

The commission may only deny the application if:

1. the project does not meet the CDZ's regulatory requirements,
2. the applicant failed to submit the required information and fees needed to review the project's design and potential effects, or
3. it is not possible to adequately mitigate the significant adverse impacts on nearby properties by imposing conditions acceptable to the applicant.

***Project Completion Deadlines (§ 15 (e))***

The deadlines by which the applicant must complete the project depends on whether his application was for site plan or subdivision approval. By law, developers have seven years to complete a site plan and may request extensions up to 10 years. Developers have five years to complete a subdivision and may request extensions also totaling up to 10 years. Developers undertaking large-scale housing subdivisions (over 400 dwelling units) have 10 years to complete them and may

request extensions that cannot exceed 10 years.

The bill requires the commission to extend the deadline:

1. by the time needed to issue the final judgment in an appeal from the commission's decision regarding the applicant's site or subdivision plan or any coordinated permit,
2. if the applicant is actively applying for other permits he needs to start the project,
3. if there are other good causes for failure to complete the work, and
4. as provided in the approval of a multiphase development.

### ***Appeals (§ 5 (f))***

The bill allows the commission's decisions regarding CDZs to be appealed directly to Superior Court under the statutory procedure for appealing land use decisions. People can appeal the commission's decision to approve or amend regulations or design standards for a CDZs or subzones. Applicants can appeal decisions affecting their site plan or subdivision applications.

The bill specifies rules governing the appeals. If the commission files a motion to that effect, the court must require each appellant to post a bond to cover (1) the town or commission's attorney fees and cost of defending against the appeal and, if applicable, and (2) the applicant's anticipated or actual costs to carry and maintain his interest in the appeal for one year, as established by an affidavit filed with the court. The applicant must forfeit the bond if he loses the appeal.

The court must transfer the appeal to the New Britain judicial district if the town or commission filed a motion to that effect after the return date. The appeal must be heard by a judge assigned to hear appeals under the Affordable Housing Land Use Appeals Procedure.

The bill specifies that appeals regarding CDZs are privileged cases

and that courts must hear them as soon after the return day as practicable.

## **NUTMEG ZONES**

The bill allows the DECD commissioner to approve zones in which businesses qualify for a three-year property tax abatement for developing or improving property. The three-year period begins after the work is completed. The commissioner must reimburse the town for the revenue loss.

Any town that qualifies for funding under the Small Town Economic Assistance Program may adopt an ordinance designating a zone and establishing the zone's development goals and criteria. The town must apply to the commissioner to have its zone approved. The commissioner has 60 days to give the town written recommendations on how it can improve the zone. He must select 10 zones per year by conducting an annual lottery, starting July 1, 2008.

## **BACKGROUND**

### ***Related Bill***

sHB 7340 authorizes the DECD commissioner to approve nutmeg zones under the same provisions as the bill. The Commerce Committee favorably reported the bill to the Finance Committee on March 20, 2007.

### ***Public Investment Communities (PIC)***

By law, the OPM prepares an annual index used to designate the 42 most fiscally distressed towns. The designation originally qualified these towns for multi-purpose grants under a 1992 economic development program that was funded only once in 1993. The legislature also uses the PIC designation as an eligibility criterion for several other programs.

The OPM secretary annually scores and ranks towns based on the degree to which they are fiscally distressed. He designates the top 42 scorers as PICs. Any town whose rank fell below 42 in a given year

retains its PIC designation an additional five years. Currently, seven towns fall in this category, raising the PIC total to 49.

***Small Town Economic Assistance Program***

This program provides up to \$500,000 in grants to relatively small suburban and rural towns that do not meet the economic distress criteria to qualify for Urban Act bond funds.

**COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Substitute

Yea 18 Nay 0 (03/23/2007)